

**LAFON NURSING FACILITY OF
THE HOLY FAMILY**

**Financial Statements
and Additional Information for the
Years Ended December 31, 2008 and 2007
and Independent Auditors' Report**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

8/25/10

LAFON NURSING FACILITY OF THE HOLY FAMILY

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Certified Public Accountants

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Kenneth J. Abney, CPA, MS Acct-Tax

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INDEPENDENT AUDITORS' REPORT

To the Administrator and Governing Board
Lafon Nursing Facility of the Holy Family
New Orleans, Louisiana

We have audited the accompanying statements of financial position of **LAFON NURSING FACILITY OF THE HOLY FAMILY** (the Facility) as of December 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Lafon Nursing Facility's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of the Office of Management and Budget (OMB) Circular A-133, *Audits of Institutions of Higher Education and Other Nonprofit Institutions*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of **LAFON NURSING FACILITY OF THE HOLY FAMILY** as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2009, on our consideration of the Facility's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Facility's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of the Facility. The schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements have been prepared assuming that the Facility will continue as a going concern. As discussed in Note F to the financial statements, the Facility suffered significant damage due to Hurricane Katrina. While the renovations have commenced, no services have been provided since August 29, 2005 and consequently no revenues were earned after that date. The Board intends to complete necessary renovations and to eventually reopen the facility. Due to the uncertainty of when renovations will be completed and the residents can return to the Facility, and the loss of substantially all revenue, substantial doubt is raised about the Facility's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Alpha & Associates, LLC

March 31, 2009

**LAFON NURSING FACILITY OF THE HOLY FAMILY
STATEMENTS OF FINANCIAL POSITION**

ASSETS

	December 31,	
	2008	2007
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,031,520	\$ 954,192
Total current assets	1,031,520	954,192
INVESTMENTS	1,075,823	1,022,631
PROPERTY AND EQUIPMENT, NET		
Land	937,754	937,754
Building	5,443,849	5,443,849
Vehicles	21,075	21,075
Construction In Progress	8,188,863	467,324
Less: FEMA reimbursement	(6,166,894)	(439,065)
	<u>2,021,969</u>	<u>28,259</u>
Total property and equipment	8,424,647	6,430,937
Less: Accumulated Depreciation	(4,418,730)	(4,162,274)
Total property and equipment, net	<u>4,005,917</u>	<u>2,268,663</u>
TOTAL ASSETS	<u>\$ 6,113,260</u>	<u>\$ 4,245,485</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Due to Sisters of the Holy Family	\$ -	\$ -
Accounts Payable and Accrued Expenses	1,124,324	65,711
Total liabilities	1,124,324	65,711
NET ASSETS, UNRESTRICTED	<u>4,988,936</u>	<u>4,179,774</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,113,260</u>	<u>\$ 4,245,485</u>

The accompanying notes are an integral part of these financial statements.

**LAFON NURSING FACILITY OF THE HOLY FAMILY
STATEMENTS OF ACTIVITIES**

	For The Years Ended December 31,	
	<u>2008</u>	<u>2007</u>
UNRESTRICTED		
PUBLIC SUPPORT AND REVENUE		
Medicaid, Medicare and Residents	\$ -	\$ -
Other Revenue:		
Investments Income	62,938	290,757
Public Support Received Directly - Contributions	250	4,210
Insurance income	629,506	16,053
Defalcation Reimbursement	900	1,300
Miscellaneous Revenue	<u>14,738</u>	<u>88,945</u>
Total Other Revenue	<u>708,332</u>	<u>401,266</u>
Total Public Support and Revenue	<u>708,332</u>	<u>401,266</u>
EXPENSES		
General Services	19,659	2,125
Administrative Services	146,862	161,169
Depreciation	<u>256,456</u>	<u>258,629</u>
Total Expenses	<u>422,977</u>	<u>421,923</u>
INCREASE (DECREASE) IN NET ASSETS	285,355	(20,657)
FUNDS RECEIVED FROM THE SISTERS OF THE HOLY FAMILY	523,807	-
NET ASSETS, BEGINNING OF YEAR	<u>4,179,774</u>	<u>4,200,431</u>
NET ASSETS, END OF YEAR	<u>\$ 4,988,936</u>	<u>\$ 4,179,774</u>

The accompanying notes are an integral part of these financial statements.

**LAFON NURSING FACILITY OF THE HOLY FAMILY
STATEMENTS OF FUNCTIONAL EXPENSES**

	<u>Program service</u>	<u>Supporting Services and General and Administrative</u>	<u>Total</u>	<u>2007</u>
Salaries and Vacation Benefits	\$ -	\$ 72,080	\$ 72,080	\$ 59,241
Employee Health and Retirement Benefits	-	218	218	920
Payroll Taxes	-	3,820	3,820	1,563
Professional Fees and Contract Services Payments	-	57,971	57,971	43,985
Supplies	-	863	863	2,311
Telephone	-	2,276	2,276	830
Repair & Maintenance	-	-	-	210
Occupancy	-	14,510	14,510	1,010
Insurance	-	1,340	1,340	1,340
Local Transportation	-	9,197	9,197	8,163
Medical Reimbursement	-	-	-	35,800
Miscellaneous	-	4,246	4,246	7,921
Depreciation	-	256,456	256,456	258,629
TOTAL EXPENSES	\$ -	\$ 422,977	\$ 422,977	\$ 421,923

The accompanying notes are an integral part of these financial statements

LAFON NURSING FACILITY OF THE HOLY FAMILY
STATEMENTS OF CHANGES IN NET ASSETS

	UNRESTRICTED	TEMPORARILY RESTRICTED	2008 TOTAL	2007 TOTAL
Net Assets/(deficit), beginning of the year	\$ 4,179,774	\$ -	\$ 4,179,774	\$ 4,200,431
Increase/(decrease) in net assets	<u>809,162</u>	<u>-</u>	<u>809,162</u>	<u>(20,657)</u>
Net Assets/(deficit), end of the year	\$ 4,988,936	\$ -	\$ 4,988,936	\$ 4,179,774

The accompanying notes are an integral part of these financial statements

**LAFON NURSING FACILITY OF THE HOLY FAMILY
STATEMENTS OF CASH FLOWS**

	For The Years Ended December 31,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) in Net Assets	\$ 285,355	\$ (20,657)
Adjustments to Reconcile (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation Expense	256,456	258,629
Changes in Operating Assets and Liabilities		
Accounts Payable and Accrued Expenses	<u>1,058,613</u>	<u>(3,180)</u>
Net Cash Provided by (Used in) Operating Activities	1,600,424	234,792
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases/Disposals of Property and Equipment	(7,721,539)	(467,323)
Net Change in Investments	<u>(53,192)</u>	<u>(256,872)</u>
Net Cash (Used in) Investing Activities	(7,774,731)	(724,195)
CASH FLOWS FROM FINANCING ACTIVITIES		
FEMA reimbursement for building renovation	5,727,828	439,065
Net Funds Received from the Sisters of the Holy Family	<u>523,807</u>	<u>-</u>
Net Cash Provided by Financing Activities	<u>6,251,635</u>	<u>439,065</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	77,328	(50,338)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>954,192</u>	<u>1,004,530</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,031,520</u>	<u>\$ 954,192</u>

The accompanying notes are an integral part of these financial statements.

**LAFON NURSING FACILITY OF THE HOLY FAMILY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 and 2007**

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

LAFON NURSING FACILITY OF THE HOLY FAMILY (the Facility) is a not-for-profit institutional adult care facility operated by the Sisters of the Holy Family, a religious order of women. The statements include only the accounts of **LAFON NURSING FACILITY OF THE HOLY FAMILY**; no other assets owned by or activities operated by the Sisters of the Holy Family have been included herein.

Resources are classified into three separate classes of net assets, as follows:

- **Unrestricted** - Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.
- **Temporarily Restricted** - Net assets whose use by the Facility is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the Facility pursuant to those stipulations.
- **Permanently Restricted** - Net assets whose use by the Facility is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Facility.

PROPERTY AND EQUIPMENT

Property and equipment are carried at cost when purchased or appraised values when donated, with subsequent additions at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. The building is depreciated over a 40-year life, equipment is depreciated over 5 to 10 year lives and vehicles are depreciated over 3 or 4 year lives. Depreciation expense totaled \$256,456 and \$258,629 for the years ended December 31, 2008 and 2007.

ACCOUNTS RECEIVABLE

Accounts receivable are presented net of an allowance at December 31, 2008 and 2007, and are otherwise considered to be fully collectible since the balance consists substantially of payments due under state and federal government contracts.

INCOME TAXES

Income taxes have not been provided for in the financial statements as the Facility was organized as a non-profit organization under Section 501(c)(3) of the Internal Revenue Code of 1954 as amended and is, therefore, of tax-exempt status.

**LAFON NURSING FACILITY OF THE HOLY FAMILY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 and 2007**

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CASH EQUIVALENTS

All highly liquid cash investments with an original maturity of three months or less are considered to be cash equivalents.

CONTRIBUTIONS

Contributions received, including unconditional promises, are recognized as revenues when the donor's commitment is received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances. Promises made and collected in the same reporting period are recorded when received in the appropriate net asset category. Promises of non-cash assets are recorded at their fair value. Conditional promises are recorded when donor stipulations are substantially met. There were no unconditional promises in 2008 or 2007.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CHARITY CARE

The Facility provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Because the Facility does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

NOTE B

INVESTMENTS

Investments of the Facility at December 31, 2008 and 2007 consisting of investments in certificates of deposit and money market funds, are carried at cost, which approximates market value.

**LAFON NURSING FACILITY OF THE HOLY FAMILY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 and 2007**

NOTE C

CONTRIBUTIONS

The Facility is an income beneficiary of the Estate of Thomy Lafon (Estate). The Estate is managed by a Board of Trustees, which makes a distribution to the Facility annually when the income of the Estate has been determined.

NOTE D

COMMITMENTS AND CONTINGENCIES

The Facility receives a substantial amount of its support from federal and state governments. A significant reduction in the level of this support, if this were to occur, may have an effect on the Facility's programs and activities.

The Facility is required to submit cost reports to federal and state government agencies that substantiate the support received. These reports are subject to audit and adjustment by the respective government agencies.

The Facility maintains cash balances at several financial institutions in the New Orleans area. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2008 and 2007, the Facility's uninsured cash balances total approximately \$734,362 and \$709,561, respectively.

On August 29, 2005, Hurricane Katrina devastated southeast Louisiana. While the Facility evacuated all of its residents, the facilities sustained significant damage. The residents have not returned to the facility as of December 2008. The renovations of the facility have begun, but it is uncertain when the residents will return and the Facility can resume normal operations.

Due to the effects of Hurricane Katrina and the death of several residents of the facility, various legal claims have been made against the Facility. The outcome of the litigation can not reasonably be estimated at this time and no adjustments have been made to the financial statements as a result of this uncertainty.

NOTE E

PENSION PLAN

Substantially all of the employees are covered by a defined contribution retirement plan established in 1999. The Facility matches employee contributions up to 3% of the employee's salary. No contributions were made to the plan on behalf of employees for the years ended December 31, 2008 and 2007, respectively.

SUPPLEMENTAL INFORMATION

LAFON NURSING FACILITY OF THE HOLY FAMILY
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

DESCRIPTION	CFDA NUMBER	GRANT NUMBER	GRANT PERIOD		TOTAL GRANT AWARD	EXPENDITURE		TOTAL EXPENDITURES
			FROM	THROUGH		FEDERAL	OTHER	
FEMA	97.036	PV000008161	6/7/2007	12/31/2008	\$ 6,166,894	\$ 6,166,894	\$2,021,969	\$ 8,188,863
Total					\$ 6,166,894	\$ 6,166,894	\$2,021,969	\$ 8,188,863

See independent auditors' report

OTHER INDEPENDENT AUDITORS' REPORTS



Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS AND OFFICE OF
MANAGEMENT AND BUDGET (OMB) CIRCULAR A-133**

To the Administrator and Governing Board
Lafon Nursing Facility of the Holy Family
New Orleans, Louisiana

We have audited the financial statements of **LAFON NURSING FACILITY OF THE HOLY FAMILY** (the Facility) as of and for the year ended December 31, 2008, and have issued our report thereon dated March 31, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Facility's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Facility's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters:

As part of obtaining reasonable assurance whether the Facility's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Administrator and Governing Board, and others within the entity, and should not be used by anyone other than these specified parties.

Silva & Associates, LLC

March 31, 2009



Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OFFICE OF MANAGEMENT AND
BUDGET (OMB) CIRCULAR A-133**

To The Administrator and Governing Board
Lafon Nursing Facility of the Holy Family
New Orleans, Louisiana

Compliance

We have audited the compliance of **LAFON NURSING FACILITY OF THE HOLY FAMILY** (the Facility) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2008. The Facility's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Facility's management. Our responsibility is to express an opinion on the Facility's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the provisions of Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Facility's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Facility's compliance with those requirements.

In our opinion, the Facility complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

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Internal Control over Compliance

The management of the Facility is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Facility's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Facility's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of the Administrator and Governing Board and Federal Emergency Management Agency (FEMA), federal awarding agencies, and the Louisiana Legislative Auditor. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

John E. Associates, LLC

March 31, 2009

**LAFON NURSING FACILITY OF THE HOLY FAMILY
SCHEDULE OF FINDINGS AND QUESTIONED COST**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified		
Internal control over financial reporting:			
Material weaknesses identified?	<u> </u> Yes	<u> X </u>	No
Significant deficiencies identified			None
not considered to be material weaknesses?	<u> </u> Yes	<u> X </u>	reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u>	No

Federal Awards

Internal control over major programs:			
Material weaknesses identified?	<u> </u> Yes	<u> X </u>	No
Significant deficiencies identified			None
not considered to be material weaknesses?	<u> </u> Yes	<u> X </u>	reported

Type of auditors' report issued on compliance for major program:	Unqualified
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	<u> </u> Yes	<u> X </u>	No
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Identification of major program:

CFDA Numbers

97.036

Name of Federal Program or Cluster

Federal Emergency Management Agency

Dollar threshold used to distinguish between Type A and Type B programs:	<u> \$300,000 </u>
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Auditee qualified as low-risk audit?	<u> X </u> Yes	<u> </u> No
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**Section II - Internal Control & Compliance
Governmental Auditing Standards
OMB Circular A-133**

Internal Control

Item Number

No findings and questioned costs for the year ended December 31, 2008

**LAFON NURSING FACILITY OF THE HOLY FAMILY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

<u>Ref. No.</u>	<u>Fiscal Year</u> Finding Initially <u>Occurred</u>	<u>Description</u>	<u>Corrective Action Taken (Yes, No, Partially)</u>	<u>Corrective Action Taken</u>
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Section I - Compliance and Internal Control Material to the Financial Statements

No reported findings for the year ended December 31, 2007

Section II - Internal Control and Compliance Material to Federal Awards

No reported findings for the year ended December 31, 2007

Section III - Management Letter

No reported findings for the year ended December 31, 2007